

NJ TRANSIT

**BOARD ADMINISTRATION COMMITTEE MEETING
OPEN TO MEMBERS OF THE PUBLIC**

WEDNESDAY, DECEMBER 20, 2017

2:00 PM

**ONE PENN PLAZA EAST
9TH FLOOR BOARD ROOM
NEWARK, NJ 07105**

**NJ TRANSIT BOARD
ADMINISTRATION COMMITTEE MEETING
OPEN TO MEMBERS OF THE PUBLIC**

**WEDNESDAY, DECEMBER 20, 2017
2:00 PM – BOARD ROOM – 9TH FLOOR – NEWARK, NJ**

PUBLIC COMMENTS ON AGENDA (Two minutes per speaker)

BOARD ITEM

PAGE

BANKING SERVICES
(*PRESENTER: MICHAEL LIHARCIC/JACQUELINE STAMFORD*)

3

STAFF REPORT

FINANCIAL UPDATE
(*PRESENTERS: MICHAEL LIHVARCIC/AL TILLOTSON*)

***NO MATERIAL ATTACHED**

ITEM 1801-XX:

BANKING SERVICES

BENEFITS

This authorization will enable NJ TRANSIT to continue mandatory banking services including the acceptance of deposits, optimal account structure and funds concentration, check disbursements (payroll, accounts payable, claims and customer refunds), electronic disbursements including wire and ACH payments, lockbox remittance services, control and reconciliation, investment of funds, and information reporting and archiving. Additionally, customer service such as employee check cashing is required. These services are necessary to facilitate payments to employees and vendors and receipts from multiple sources such as farebox revenue.

ACTION (Scorecard: Corporate Accountability, Financial Performance)

Staff seeks authorization to enter into NJ TRANSIT Contract 17-031 with Wells Fargo Bank, N.A., to provide collection, disbursement, and other banking services to NJ TRANSIT and to take any other steps necessary to ensure a smooth transition and contiguous service for an initial period of three years with two, independent, one-year options, at a cost not to exceed \$320,000, subject to the availability of funds.

PURPOSE

NJ TRANSIT requires these banking services to ensure the systematic gathering of information concerning its collections, disbursements and cash balances to effectively manage the funds of the company. This authorization will allow NJ TRANSIT to improve its banking services at competitive costs. The recommendation is the result of a competitive selection process and the bank’s ability to effectively and efficiently service NJ TRANSIT’s needs.

BACKGROUND

Article IX of NJ TRANSIT’s By-Laws requires Board authorization to obtain a new or sever an existing financial relationship. The recommendation of Wells Fargo Bank, N.A. is the result of a competitive selection process.

FISCAL IMPACTS

Requested Authorizations:

Total Authorization \$320,000

Past Authorizations:

September 2011, Bank of America, \$403,156
March 2006, Bank of America \$480,000

Expenditures to Date: N/A

Total Project Cost: \$320,000

Projected Date of Completion: July 31, 2023

Capital Program Amount: N/A

Operating Budget Amount: \$100,000

Anticipated Source of Funds: Operating

PRINTS ID Number: N/A

DBE/SBE Goal: 0%

***NJ Build* Amount:** \$0

Related/Future Authorizations: None

Impacts on Subsequent Operating Budgets: \$55,000 per year

**PROPOSED
RESOLUTION**

WHEREAS, NJ TRANSIT requires the systematic gathering of information concerning its collections, disbursements and cash balances to effectively manage the funds of the company; and

WHEREAS, Article IX of the By-Laws requires Board authorization to obtain a new or sever an existing financial relationship; and

WHEREAS, NJ TRANSIT staff has identified an opportunity to obtain improved banking services at competitive costs;

NOW, THEREFORE, BE IT RESOLVED that the Chairman or Executive Director is authorized to enter into NJ TRANSIT Contract 17-031 with Wells Fargo Bank, N.A., to provide collection, disbursement, and other banking services to NJ TRANSIT and to take any other steps necessary to ensure a smooth transition and contiguous service for an initial period of three years with two, independent, one-year options, at a cost not to exceed \$320,000, subject to the availability of funds.

FINANCIAL UPDATE



RESULTS OF OPERATIONS
AND
BUDGET VARIANCE ANALYSIS
FISCAL YEAR 2018

MONTH OF SEPTEMBER, 2017

NEW JERSEY TRANSIT CORPORATION
BUDGET-TO-ACTUAL COMPARISON AND VARIANCE ANALYSIS
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES
FOR THE FISCAL YEAR-TO-DATE ENDED SEPTEMBER 30, 2017

	Fiscal year-to-date		Variance	
	Actuals	Budget	\$	%
<u>Revenues</u>				
Passenger Revenue	\$242,653,967	\$259,111,734	(\$16,457,767)	(6.4)
Other Operating Revenue	24,016,927	23,605,100	411,827	1.7
State Operating Assistance	30,000,000	30,000,000	0	0.0
TTF Capital Maintenance	0	0	0	-
Other Grants and Reimbursements	232,785,671	227,542,475	5,243,196	2.3
Total Revenue	529,456,565	540,259,309	(10,802,744)	(2.0)
<u>Expenses</u>				
Labor	176,335,755	177,644,420	1,308,665	0.7
Fringe Benefits	138,965,738	139,819,950	854,212	0.6
Outside Services	36,585,603	35,539,612	(1,045,991)	(2.9)
Propulsion	11,351,008	11,310,562	(40,446)	(0.4)
Revenue Vehicle Fuel	13,631,437	15,302,988	1,671,551	10.9
Materials & Supplies	45,390,677	40,037,377	(5,353,300)	(13.4)
Utilities	9,723,482	10,598,416	874,934	8.3
Claims & Insurance	16,828,144	16,874,077	45,933	0.3
Purchased Transportation	75,705,936	60,354,237	(15,351,699)	(25.4)
Tolls, Trackage & Fees	21,430,168	21,303,175	(126,993)	(0.6)
Miscellaneous Expenses	9,919,007	11,474,495	1,555,488	13.6
Total Operating Expenses	555,866,955	540,259,309	(15,607,646)	(2.9)
Net Income/(Loss) From Operations	(26,410,390)	0	(26,410,390)	0.0
<u>Other Income (Expense):</u>				
Debt Cost Reimbursements	7,951,750	0	7,951,750	0.0
Debt Costs	(7,951,750)	0	(7,951,750)	0.0
Other Uses of Operating Funds	0	0	0	0.0
Total Other Income (Expense)	0	0	0	0.0
Net Income/(Loss)	(\$26,410,390)	\$0	(\$26,410,390)	0.0

Overview:

The September year-to-date budget-to-actual variance totaled \$26.4 million which included \$21.9 million in lost revenue and expenses paid to date related to the Amtrak repairwork at New York Penn Station. The projected total cost for the Amtrak repairwork is \$25 million.

When adjusting for the repairwork paid to date, the net month ending variance is reduced to a negative \$4.5 million or 0.8%.

Revenue:

- Passenger revenue for the first three months of fiscal year 2018 was \$16.5 million or 6.4% unfavorable to budget. Of this amount \$8.9 million was the result of Amtrak repairwork at New York Penn Station thereby resulting in a net passenger revenue loss of \$7.6 million or 2.9%.
- Overall, Rail passenger revenues were unfavorable by \$14.3 million (9.5%), Bus passenger revenues were unfavorable by \$2.0 million (1.9%) and Light Rail passenger revenue was essentially on budget.
- Year-over-year ridership decreased 2.2 million passengers or 3.2%. Rail ridership decreased 5.2%, Bus ridership decreased 2.3% and Light Rail ridership decreased 2.4%. Additional revenue and ridership statistics are presented in the Revenue and Ridership section at the end of this report.
- Other revenue was favorable to budget by \$0.4 million, or 1.7%. This was primarily the result of greater than anticipated other non-transportation revenue and contract revenue.
- Other grants and reimbursements were favorable by \$5.2 million or 2.3%. This was the result of favorable reimbursable project and federal preventive maintenance revenue.

Operating Expenses:

- Labor and fringe for the first three months of fiscal year 2018 were virtually on budget.
- Outside services were unfavorable to budget by \$1.0 million, or 2.9%. This variance is comprised primarily of favorable operating expenses for electronic equipment service and contracted maintenance services offset by unfavorable project expenses of \$3.0 million, relating to station repairs, environmental compliance programs and data center costs.
- Revenue vehicle fuel costs were favorable by \$1.7 million, or 10.9%. This favorable variance was due to lower than budgeted costs per gallon of fuel.
- Materials and supplies were unfavorable by \$5.4 million, or 13.4% of which \$2.8 million is reimbursable. This variance is comprised primarily of unfavorable expenses related to

revenue vehicle materials and reconditioned parts such as annual break shoe replacements for the fall season to effectively deal with leaves on the tracks, ALP 45 Top Deck overhauls and the replacement of main inductors on Arrow III rail cars. It is anticipated that this account will be on budget by year-end.

- Utility costs were favorable to budget by \$0.9 million, or 8.3%. This variance was due in part to lower than anticipated costs for non-propulsion electricity.
- Purchased transportation was unfavorable to budget by \$15.4 million, or 25.4% due to the payment of \$9.7 million in added Private Bus and Ferry service costs related to Amtrak repairwork at New York Penn Station.
- Tolls, Trackage and Miscellaneous costs were favorable by \$1.4 million, due primarily to lower than anticipated credit card fees, bank service fees and employee expenses.

NJ TRANSIT CORPORATION

REVENUE REPORT

FOR THE MONTH AND FISCAL YEAR-TO-DATE SEPTEMBER 30, 2017

COMPARISON TO BUDGET

<i>Current Month \$</i>		<i>Variance</i>		<i>Division</i>	<i>Fiscal Year to Date \$</i>		<i>Variance</i>	
Actual	Budget	\$	%		Actual	Budget	\$	%
47,459,338	49,693,700	(2,234,362)	(4.50)	Rail Operations	136,546,385	150,881,100	(14,334,715)	(9.50)
33,260,731	33,531,758	(271,027)	(0.81)	Bus Operations (1)	100,380,796	102,340,634	(1,959,838)	(1.92)
1,958,816	1,980,000	(21,184)	(1.07)	Light Rail Operations (2)	5,726,786	5,890,000	(163,214)	(2.77)
82,678,885	85,205,458	(2,526,573)	(2.97)	NJ Transit Total	242,653,967	259,111,734	(16,457,767)	(6.35)

COMPARISON TO LAST YEAR

<i>Current Month \$</i>		<i>Variance</i>		<i>Division</i>	<i>Fiscal Year to Date \$</i>		<i>Variance</i>	
FY '18	FY '17	\$	%		FY '18	FY '17	\$	%
47,459,338	48,440,725	(981,387)	(2.03)	Rail Operations	136,546,385	149,961,937	(13,415,552)	(8.95)
33,260,731	33,466,929	(206,198)	(0.62)	Bus Operations (1)	100,380,796	100,905,319	(524,523)	(0.52)
1,958,816	2,024,021	(65,205)	(3.22)	Light Rail Operations (2)	5,726,786	6,018,798	(292,012)	(4.85)
82,678,885	83,931,675	(1,252,790)	(1.49)	NJ Transit Total	242,653,967	256,886,054	(14,232,087)	(5.54)

NOTES:

1. Includes service operated for NJ TRANSIT by Contract Carriers.
2. Light Rail Operations is comprised of HBLR, Newark Light Rail/City Subway and River LINE totals.

NJ TRANSIT CORPORATION

RIDERSHIP REPORT

FOR THE MONTH AND FISCAL YEAR-TO-DATE SEPTEMBER 30, 2017

COMPARISON TO LAST YEAR

Current Month		Variance		Division	Fiscal Year to Date		Variance	
FY '18	FY '17	#	%		FY '18	FY '17	#	%
1,837,377	1,915,619	(78,242)	(4.08)	Rail Ridership M&E Lines Main & Pascack Lines Total Hoboken Division	5,165,621	5,693,727	(528,106)	(9.28)
839,857	898,626	(58,769)	(6.54)		2,500,037	2,744,366	(244,329)	(8.90)
2,677,234	2,814,245	(137,011)	(4.87)		7,665,658	8,438,093	(772,435)	(9.15)
2,687,915	2,732,931	(45,016)	(1.65)	Northeast Corridor Line North Jersey Coast Line (1) Raritan Valley Line Total Newark Division	8,021,340	8,266,158	(244,818)	(2.96)
1,196,588	1,221,755	(25,167)	(2.06)		3,759,079	3,853,114	(94,035)	(2.44)
549,111	554,862	(5,751)	(1.04)		1,625,101	1,642,925	(17,824)	(1.08)
4,433,614	4,509,548	(75,934)	(1.68)		13,405,520	13,762,197	(356,677)	(2.59)
55,740	65,849	(10,109)	(15.35)	Atlantic City Line	201,794	228,240	(26,446)	#####
7,166,588	7,389,642	(223,054)	(3.02)	Total Rail Ridership	21,272,972	22,428,530	(1,155,558)	(5.15)
5,963,036	6,136,307	(173,271)	(2.82)	Bus Ridership Northern Division Central Division Southern Division	17,825,633	18,108,303	(282,670)	(1.56)
5,500,684	5,684,497	(183,813)	(3.23)		16,019,965	16,357,485	(337,520)	(2.06)
1,677,292	1,752,854	(75,562)	(4.31)		5,015,732	5,291,087	(275,355)	(5.20)
13,141,012	13,573,658	(432,646)	(3.19)	Total Bus Ridership (2)	38,861,330	39,756,875	(895,545)	(2.25)
1,314,086	1,286,222	27,864	2.17	Light Rail Ridership Hudson Bergen Light Rail Newark Light Rail/City Subway River LINE	4,017,665	4,030,007	(12,342)	(0.31)
499,838	516,432	(16,594)	(3.21)		1,353,135	1,430,803	(77,668)	(5.43)
230,982	250,020	(19,038)	(7.61)		711,430	770,650	(59,220)	(7.68)
2,044,906	2,052,674	(7,768)	(0.38)	Total Light Rail Ridership (3)	6,082,230	6,231,460	(149,230)	(2.39)
22,352,506	23,015,974	(663,468)	(2.88)	Total NJ Transit Ridership (4)	66,216,532	68,416,865	(2,200,333)	(3.22)

NOTES:

1. Includes Waterfront Connection Ridership.
2. Includes service operated for NJ TRANSIT by Contract Carriers.
3. Includes adjusted Light Rail Ridership totals for HBLR, Newark Light Rail/City Subway and River LINE as derived by the Market Analysis and Pricing Department utilizing sales and usage analytics.
4. Includes adjustments of prior period estimates to actuals for Rail and Bus Ridership.

September 2017 Passenger Ridership

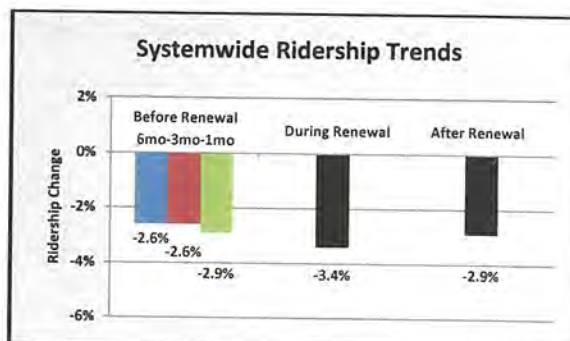
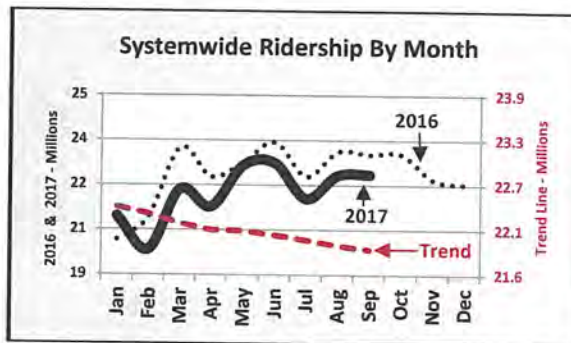
- September ridership was -2.9% lower than last year, in raw numbers.
 - Ridership was -1.7% lower than last year when factoring out calendar differences, major weather incidents and special events (*Adjusted Percent Change*).
 - With the completion of this phase of Amtrak's NY Penn Station Renewal project, ridership has returned to pre-Renewal trends.

- Latest 12 months ridership collectively has totaled 262.7 million passenger trips, -2.9% lower than the 12 months prior to that.

- The Penn Station Renewal project has been the focus of considerable attention during fiscal year 2018, however its overall impact has been primarily financial.
 - FY18 fare revenue has felt the impacts of NY Penn Rail riders diverting to the less-expensive Hoboken and Bus fare structures, 50% M&E Hoboken discounts and slightly lower Rail rider volume.
 - The overall ridership impact across the NJ TRANSIT system has been moderate, with only a slight expansion of year-year systemwide rider decline from -2.9% during June to -3.4% during the Renewal months of July and August. Post-Renewal September reverted to June's level of -2.9% rider decline.

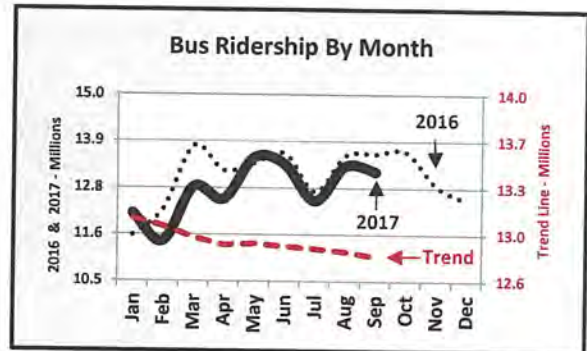
Passenger Ridership (millions)	Sept. 2017	Sept. 2016	Raw Percent Change	Adjusted Percent Change
Bus	13.1	13.6	(- 3.2%)	(- 1.4%)
Rail	7.2	7.4	(- 3.0%)	(- 2.8%)
Light Rail	2.0	2.1	(- 0.4%)	(- 0.4%)
Total	22.4	23.0	(- 2.9%)	(- 1.7%)

Passenger Ridership (millions)	Latest 12 Months This Year	Latest 12 Months Last Year	Percent Change
Bus	153.4	158.0	(- 2.9%)
Rail	85.8	88.6	(- 3.2%)
Light Rail	23.6	24.1	(- 2.3%)
Total	262.7	270.6	(- 2.9%)



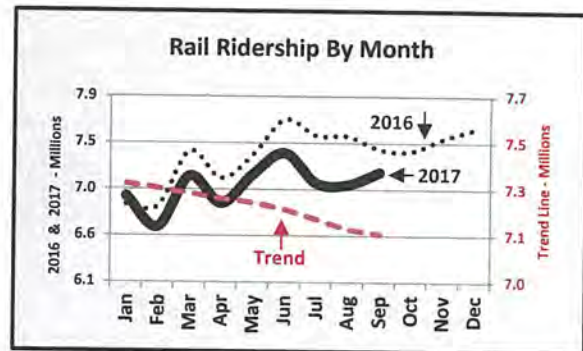
Bus Ridership

- September Bus ridership was -3.2% lower than last year, in raw numbers.
 - -1.4% lower than last September when adjusted for distortions caused by calendar differences, major weather incidents and special events.
 - Bus route group trends continue, with NY Interstate routes the strongest, followed by North Jersey in-state travel, with South Jersey routes trailing.



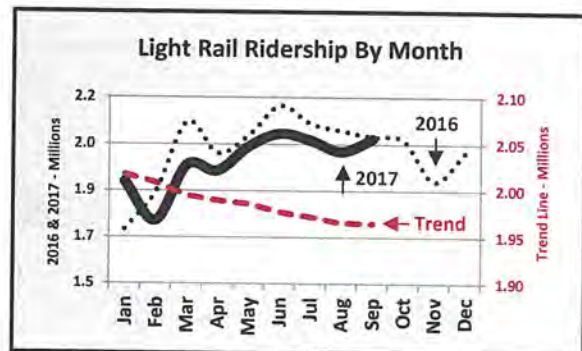
Rail Ridership

- September Rail ridership -3.0% lower than last year, in raw numbers.
 - -2.8% lower than last September when adjusted for distortions.
 - Overall Rail travel largely returned to pre-existing trends following this phase of Amtrak's Penn Station Renewal project.



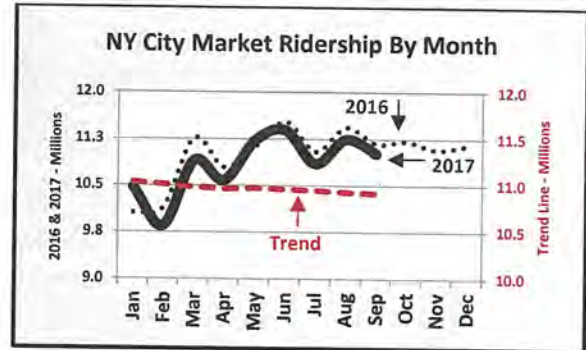
Light Rail Ridership

- September Light Rail ridership -0.4% below last year.
 - HBLR +2.2%
 - Newark Light Rail (-3.2%)
 - River LINE (-7.6%)
 - Weekday travel averaged +2.2% higher than last September, though the calendar had one less weekday.
 - Weekend travel averaged +0.6% higher than last year.



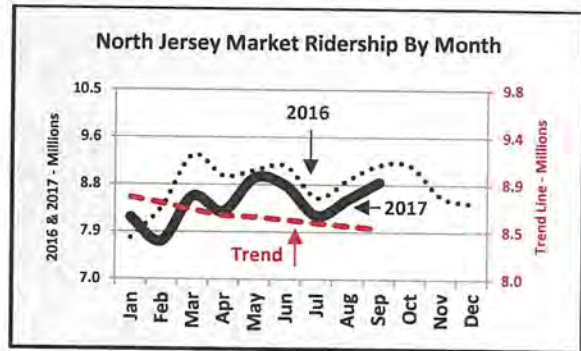
New York City Market Ridership

- September New York City Market ridership was -1.5% below last year.
- The wrap-up of this phase of Amtrak’s Penn Station Renewal project saw Rail NYC trips return to pre-Renewal trends. Rail NYC trips had shown a year-year trend of -2.6% prior to the Renewal project. This expanded to -4.9% during July and August, but returned to -2.0% during September.
- Bus NYC trends also returned to pre-Renewal levels at +1.8%, following +2.4% during July and August.
- Trend shows slight decline overall.



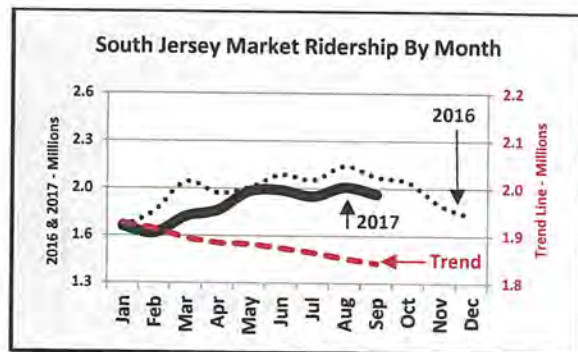
North Jersey Market Ridership

- September in-state North Jersey travel was -3.4% below last year.
- North Jersey ridership declines have been moderating compared to those seen last fiscal year:
 - FY 2017 (- 4.5%)
 - Latest 3 Months (- 3.8%)
 - September (- 3.4%)
- Trend shows continuing though slowly moderating decline.



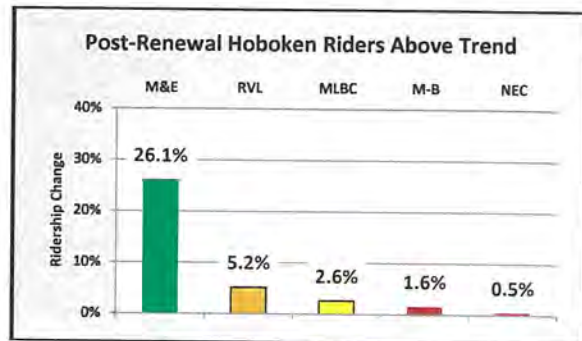
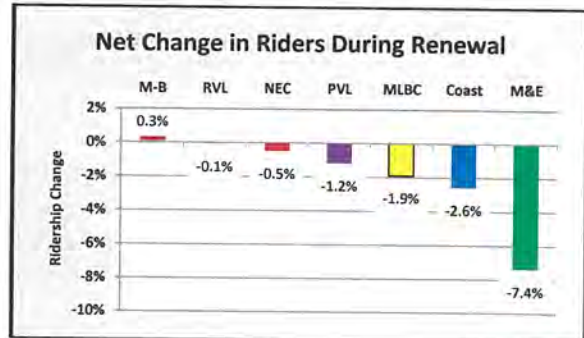
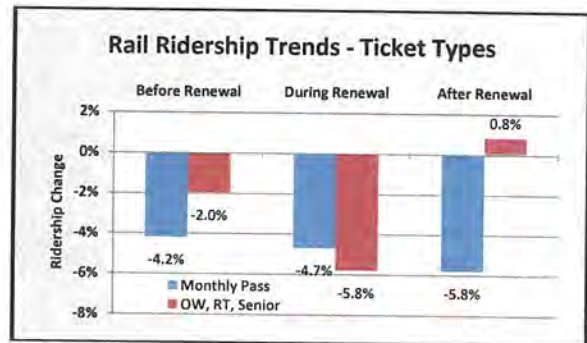
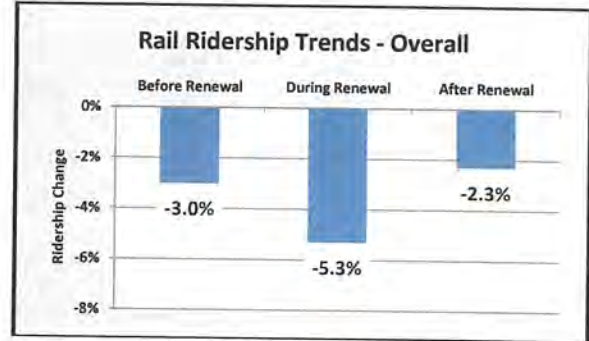
South Jersey Market Ridership

- September South Jersey ridership -5.8% below last year.
- Trend shows diminishing South Jersey ridership since the 2nd quarter of fiscal year 2013.



NY Penn Station Renewal Project Ridership

- During July and August 2017 Amtrak undertook a rehabilitation project on portions of their NY Penn Station track infrastructure.
- To facilitate the Renewal project a temporary reduction in weekday train movements at NY Penn occurred.
 - Primary NJ TRANSIT impact – weekday Morris & Essex NY Penn services diverted to Hoboken Terminal.
- NJ TRANSIT implemented several initiatives to accommodate and retain riders, including:
 - Four early morning M&E trains continued to run into NY Penn.
 - 50% discount on M&E Hoboken fares.
 - Complimentary ferry and PATH connections at Hoboken to/from NY City for Rail riders.
 - Enhanced regular route NJT Bus service, temporary special express bus service and cross-honoring of Rail passes and tickets on private bus carriers.
- As expected Rail rider trends worsened during Renewal, but largely returned to pre-existing trends once normal service was restored in September.
 - -3.0% Rail decline before Renewal.
 - -5.3% decline during Renewal.
 - -2.3% decline after Renewal (September).
- The additional rider declines during Renewal were primarily in off-peak and weekend ticket types.
- While the Morris & Essex Lines showed the greatest rider impacts during Renewal, there were additional (though smaller) declines on most other Rail lines as well.
- Evidence of some rider shifts continuing following Renewal:
 - Hoboken rider trends significantly above pre-Renewal trends on M&E, Raritan Valley and Main Line Bergen County.



Weather

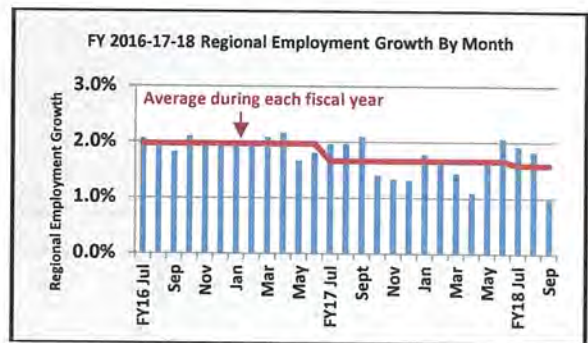
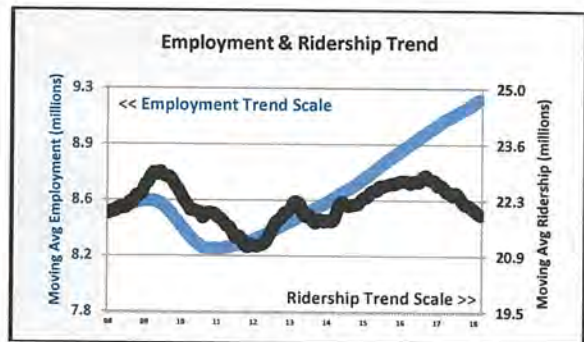
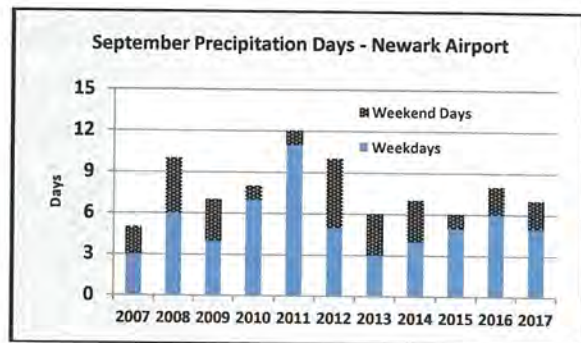
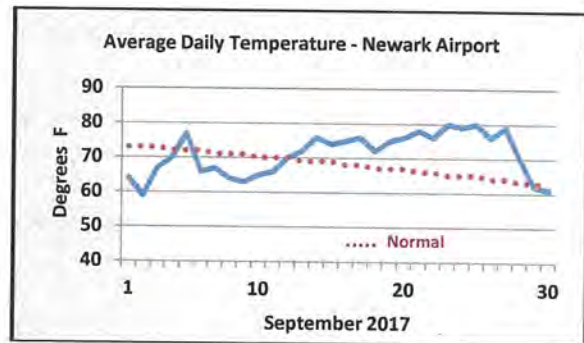
- Warm and dry for September; temperatures averaged almost +3 degrees above normal; instances of precipitation were below the average of the past decade; total rainfall quantity was -55% below normal.
- Compared against last September, temperatures were cooler and rainfall was lower.
 - September saw 7 days with rain; last year 8 days; past decade has averaged 7.9 September rain days.

Calendar & Special Events

- There was one less weekday and one more Saturday than last September.
- The Rosh Hashanah and Yom Kippur religious holidays fell during September this year; last year both holidays were celebrated during October.
- There were fewer MetLife Stadium events than last year, 2 NFL games compared to 4 games last year. Counted Rail passenger trips totaled 30,500, compared against 60,300 last September, a -49% drop.

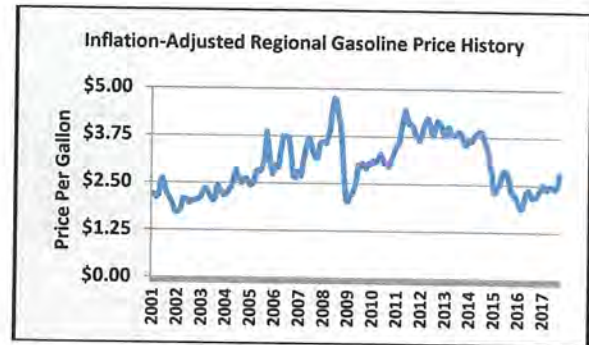
Economy

- Preliminary September employment data shows regional employment growth of +1.0%, the smallest monthly percentage gain since June, 2011.
 - NY City +1.1%
 - New Jersey +0.8%
 - Philadelphia +1.3%
 - Region +1.0%
- Nationally, employment during September was +1.2% higher than last year.



Gasoline Prices

- September regional gasoline prices were +28% higher than last September. Gas prices rose quickly in the wake of hurricanes Harvey and Irma, both of which impacted oil production and refining in the Gulf of Mexico.
- Even with the storm-induced jump, inflation-adjusted September prices were still -33% lower than five years ago.



Vehicle Miles Traveled (VMT) on NJ Roads

- August (latest available data) New Jersey VMT as calculated by the USDOT Federal Highway Administration was +1.1% higher than one year earlier.
- During the past 12 months NJ VMT has been +0.4% higher than the 12 months before that.
- NJ VMT peaked during the 12 months ended in February 2017, not long after the NJ gasoline tax was increased. Current levels are just -0.2% off the peak.

